

ROMULUS HOUSING COMMISSION
ROMULUS, MICHIGAN

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
AND
REPORTS ON INTERNAL CONTROL AND
COMPLIANCE

Auditing Procedures Report

Instructions and MuniCodes

*=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.07)

Unit Name* Romulus Housing Commission	County* WAYNE	Type* OTHER	MuniCode*
Opinion Date-Use Calendar* September 6, 2007	Audit Submitted-Use Calendar* September 10, 2007	Fiscal Year End Month* 12	Fiscal Year* 2007

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

<input checked="" type="checkbox"/> ?	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> ?	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input checked="" type="checkbox"/> ?	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> ?	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/> ?	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> ?	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/> ?	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> ?	8. Has the local unit distributed tax revenues that were collected for another taxing unit timely as required by the general property tax act?
<input checked="" type="checkbox"/> ?	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> ?	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin)?
<input checked="" type="checkbox"/> ?	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/> ?	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/> ?	13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? NA
<input checked="" type="checkbox"/> ?	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/> ?	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> ?	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/> ?	18. Are there reported deficiencies? 19. If so, was it attached to the audit report?

General Fund Revenue: ?	\$494,516
General Fund Expenditure: ?	\$666,406
Major Fund Deficit Amount: \$	0.00

General Fund Balance: ?	\$2,090,994
Governmental Activities Long-Term Debt (see instructions): ?	

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* Barry	Last Name* Gaudette	Ten Digit License Number* 1101011050		
CPA Street Address* 731 S. Garfield Ave.	City* Traverse City	State* MI	Zip Code* 49686	Telephone* 2319468930
CPA Firm Name* Barry E. Gaudette, CPA, PC	Unit's Street Address* 34200 Beverly Road	Unit's City* Romulus	Unit's Zip* 48174	

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INTRODUCTION

Independent Auditor's Report

Board of Commissioners
Romulus Housing Commission
Romulus, Michigan

I have audited the accompanying financial statements of the business-type activities of the Romulus Housing Commission, Michigan, a component unit of the City of Romulus, as of and for the year ended December 31, 2007, which comprise the Housing Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Romulus Housing Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Romulus Housing Commission, Michigan, as of December 31, 2007, and the respective changes in financial position, and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Romulus Housing Commission
Independent Auditor's Report
Page Two

In accordance with *Government Auditing Standards*, I have also issued my report dated September 6, 2008, on my consideration of the Romulus Housing Commission, Michigan's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of my audit.

The management's discussion and analysis comparison information on pages 3 through 10, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the financial statements that comprise the Romulus Housing Commission, Michigan's basic financial statements. The accompanying financial data schedule is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Romulus Housing Commission, Michigan. The combining financial statements, schedule of expenditures of federal awards, and the financial data schedule have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Sary E. Lankford, CPA, PC

September 6, 2008

**Romulus Housing Commission
Management's Discussion and Analysis (MD&A)
December 31, 2007
(Unaudited)**

As management of the Romulus Housing Commission we offer reviewers of this audit report this narrative discussion and analysis of the Romulus Housing Commission's financial activities for the fiscal year ended December 31, 2007. This discussion and analysis letter of the Romulus Housing Commission's financial performance should be read in conjunction with the auditor's opinion letter and the following Financial Statements.

The combined financial statements reflect all of the Commission's federally funded programs and activities in one place. The Commission reports all its activities and programs using the Enterprise Fund type model. HUD encourages PHAs to use this accounting method as it is normally used to account for "business-type activities" - activities similar to those found in the private sector. Enterprise Fund types use the accrual method of accounting, the same accounting method employed by most private-sector businesses. Under this method, revenues and expenditures may be reported as such even though no cash transaction has actually taken place.

FINANCIAL HIGHLIGHTS

The term "net assets" refers to the difference between assets and liabilities. The Commission's total net assets as of December 31, 2007 were \$2,090,994. The net assets increased by \$13,830, an increase of 0.67% over the prior year.

Revenues and contributions for the Commission were \$680,236 for the fiscal year ended December 31, 2007. This was an increase of \$193,412 or 39.7% over the prior year.

Expenses for the Commission were \$666,406 for the fiscal year ended December 31, 2007. This was an increase of \$27,316 or 4.3% over the prior year.

HUD operating grants were \$339,399 for the fiscal year ended December 31, 2007. This was an increase of \$59,376 or 21.2% over the prior year. Capital contributions were \$185,720 for the fiscal year ended December 31, 2007. This was an increase of \$140,987 or 315.2% over the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report contains this *Management & Discussion Analysis* report, the *Basic Financial Statements* and the *Notes to the Financial Statements*. This report also contains the *Financial Data Schedule (FDS)* as referenced in the section of *Supplemental Information*. The Commission's financial statements are presented

Romulus Housing Commission
Management's Discussion and Analysis (MD&A)
December 31, 2007
(Continued)

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

as fund financial statements because the Commission only has proprietary funds.

Required Financial Statements

The *Statement of Net Assets* includes the Commission's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations of the Commission creditors (liabilities). It also provides the basis for evaluating the liquidity and financial flexibility of the Commission.

All of the current year's revenues and expenses are accounted for in the *Statement of Revenues, Expenses, and Changes in Net Assets*. This statement measures the success of the Commission's operations over the past year and can be used to determine whether the Commission has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the *Statement of Cash Flows*. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements and provide more detailed data.

Supplemental Information

This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. HUD has established Uniform Financial Reporting Standards that require Housing Commissions to submit financial information electronically to HUD using the FDS format. This financial information was electronically transmitted to the Real Estate Assessment Center (REAC) and is required to be included in the audit reporting package.

**Romulus Housing Commission
Management's Discussion and Analysis (MD&A)
December 31, 2007
(Continued)**

FUND STATEMENTS

The Financial Data Schedule reports the Commission's operations in more detail. The Commission reports all its activities using Enterprise fund types. These funds are used to show activities that operate more like commercial enterprises. The Financial Data Schedule is organized by the government Catalogue of Financial Domestic Assistance (CFDA) numbers.

Romulus Housing Commission Programs:

Low Rent Public Housing: Under this program, the Housing Commission rents units that it owns to low-income elderly and family households. This program is operated under an Annual Contributions Contract with HUD. HUD provides Operating Subsidies to enable the Housing Commission to lease these units at a rate that is based on 30% of the household income.

Capital Fund Program: Under this program, the Housing Commission is awarded funds each year to use for Capital needs. The Housing Commission also has the ability to use up to 100% of these funds, if need be, to supplement Operating Subsidies. This program is the primary funding source for physical improvements to its properties.

FINANCIAL ANALYSIS

Net assets may serve, over time, as a useful indicator of a government's financial position. As stated in the following table, assets exceeded liabilities by \$2,090,994 at the close of the fiscal year ended December 31, 2007 an increase from \$2,077,164 in 2006. The increase in net assets of \$13,830 was due to the change in net assets for the fiscal year.

The unrestricted net assets were \$224,141 as of December 31, 2007. This amount may be used to meet the Commission's ongoing obligations. At the end of the current fiscal year, the Commission is able to report positive balances in all categories of net assets. The same situation held true for the prior fiscal year.

Romulus Housing Commission
Management's Discussion and Analysis (MD&A)
December 31, 2007
(Continued)

FINANCIAL ANALYSIS (CONTINUED)

CONDENSED STATEMENTS OF NET ASSETS
December 31,

	<u>2007</u>	<u>2006</u>	<u>Dollar Change</u>	<u>Per Cent Change</u>
Current and other assets	\$ 362,452	\$ 342,686	\$ 19,766	5.77%
Capital assets	<u>1,866,853</u>	<u>1,854,172</u>	<u>12,681</u>	0.68%
Total Assets	<u>2,229,305</u>	<u>2,196,858</u>	<u>32,447</u>	1.48%
Current liabilities	75,111	65,602	9,509	14.50%
Noncurrent liabilities	<u>63,200</u>	<u>54,092</u>	<u>9,108</u>	16.84%
Total Liabilities	<u>138,311</u>	<u>119,694</u>	<u>18,617</u>	15.55%
Net Assets:				
Invested in capital assets	1,866,853	1,854,172	12,681	0.68%
Unrestricted	<u>224,141</u>	<u>222,992</u>	<u>1,149</u>	0.52%
Total Net Assets	<u>\$2,090,994</u>	<u>\$2,077,164</u>	<u>\$ 13,830</u>	0.67%

The current assets increase of \$19,766 was due largely, to an increase in receivables for HUD capital funding grants of \$52,641.

Current liabilities increased by \$9,509, in part, due to the accrual for utilities and contract retention increased by \$6,941. Also, rents paid in advance increased by \$1,754.

Noncurrent liabilities increased by \$9,108, due to the accrued compensated absences increasing from the prior year.

The largest portion of the Commission's net assets reflects its investment in capital assets (e.g. land, buildings and equipment) less accumulated depreciation. The Commission uses these capital assets to provide service and consequently these assets are not available to liquidate liabilities or other spending.

While the Statement of Net Assets shows the change in financial position of net assets, the Statements of Revenues, Expenses, and Changes in Net Assets provides answers as to the nature and source of these changes.

Romulus Housing Commission
Management's Discussion and Analysis (MD&A)
December 31, 2007
(Continued)

FINANCIAL ANALYSIS (CONTINUED)

**CONDENSED STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS
December 31,**

As can be seen in the following table total revenues and contributions increased by \$193,412, in large part, due to several years of capital grant funding being used in this fiscal year. The increase in federal assistance for capital funding was \$191,434 over the prior year. Interest income decreased by \$3,480, mainly due to the cash sweep account having a lower balance this fiscal year compared to the prior year. Tenant rents and nondwelling rents decreased by \$3,471 from the prior year due to tenants incomes being lower than the prior year.

	<u>2007</u>	<u>2006</u>	<u>Dollar Change</u>	<u>Per Cent Change</u>
Revenues and contributions				
Operating, nonoperating, capital contributions:				
Tenant Revenue	\$ 129,963	\$ 141,925	\$(11,962)	(8.4)%
Nondwelling rent	13,362	4,871	8,491	174.3%
Total PHA generated Revenue	143,325	146,796	(3,471)	(2.4)%
HUD operating grants	339,399	280,023	59,376	21.2%
Capital contributions	185,720	44,733	140,987	315.2%
Interest income	11,792	15,272	(3,480)	(22.8)%
Total Revenues and Contributions	<u>680,236</u>	<u>486,824</u>	<u>193,412</u>	<u>39.7%</u>
Expenses				
Personnel services	180,594	174,845	5,749	3.3%
Utilities	55,650	56,943	(1,293)	(2.3)%
Operations and maintenance	187,764	173,876	13,888	8.0%
Insurance	22,736	23,076	(340)	(1.5)%
Payments in lieu of taxes	6,838	7,916	(1,078)	(13.6)%
Other supplies and expenses	39,786	36,144	3,642	10.1%
Depreciation	173,038	166,290	6,748	4.1%
Total Expenses	<u>666,406</u>	<u>639,090</u>	<u>27,316</u>	<u>4.3%</u>
Change in net assets	13,830	(152,266)	166,096	
Beginning net assets	<u>2,077,164</u>	<u>2,229,430</u>	<u>(152,266)</u>	
Ending net assets	<u>\$2,090,994</u>	<u>\$2,077,164</u>	<u>\$ 13,830</u>	

Romulus Housing Commission
Management's Discussion and Analysis (MD&A)
December 31, 2007
(Continued)

FINANCIAL ANALYSIS (CONTINUED)

Revenues:

Romulus Housing Commission's primary revenue sources are subsidies and grants received by HUD. Please note that Capital Fund Program grants can be classified as either soft cost revenue or hard cost revenue, for this fiscal year the Housing Commission chose to classify the \$185,720 of the grants as hard costs. Revenue received from HUD for fiscal year ended December 31, 2007 for the low rent program for operations increased from fiscal year ending December 31, 2006 to December 31, 2007 by \$8,929. For the fiscal year ending December 31, 2007, revenue generated by the Commission accounted for \$143,325 (or 21% of total revenue), while HUD contributions accounted for \$525,119 (or 77% of total revenue).

Expenses:

Total Expenses for the fiscal ending December 31, 2006 were \$639,090 while for the fiscal year ending December 31, 2007 they were \$666,406. This represents an 4.3% increase in our operating costs. The expenses increased, in large part, because operations and maintenance costs increased by \$13,888 due contracted services increasing by \$13,360. Personnel services increased by \$5,749 due to cost of living increases. Other supplies and expenses increased by \$6,748, in large part, due to legal costs increasing by \$5,439.

The following represents changes in Federal Assistance received:

	<u>12/31/07</u>	<u>12/31/06</u>	<u>Dollar</u> <u>Change</u>	<u>Per Cent</u> <u>Change</u>
Public Housing				
Operating Subsidy	\$ 288,952	\$ 280,023	\$ 8,929	3.2%
CFP Grants	<u>236,167</u>	<u>44,733</u>	<u>191,434</u>	<u>427.9%</u>
Total	<u>\$ 525,119</u>	<u>\$ 324,756</u>	<u>\$ 200,363</u>	<u>61.7%</u>

The above chart is segregated as to the Program source of funds, not the use of funds. The increase in the operating subsidy was due to the HUD's change in funding levels. The Capital Fund Program closed several programs out in 2007, rather than one as is usually done.

Budget Analysis:

A Low Rent Public Housing Operating Budget for the fiscal year ending December 31, 2007 was presented to and approved by the Board of Commissioners. We had no reason to amend the budget during the fiscal year. Actual results were in line with budgeted amounts.

**Romulus Housing Commission
Management's Discussion and Analysis (MD&A)
December 31, 2007
(Continued)**

OPERATIONAL HIGHLIGHTS

The Romulus Housing Commission provided the following housing for low-income elderly and low-income families:

	December 31, <u>2007</u>	December 31, <u>2006</u>
Low Rent Public Housing	100	100

During the fiscal year ending December 31, 2007, Romulus Housing Commission maintained a lease-up rate of 92.3% in its Public Housing Program.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Housing Commission is primarily dependent upon HUD for the funding of operations as well as capital needs. Therefore, the Housing Commission is affected more by the Federal Budget than by local economic conditions. The funding of programs could be significantly affected by the Federal Budget.

Although the Housing Commission remains concerned about the future levels of HUD funding due to the state of the federal budget, we feel that we are both financially and operationally in a strong position to continue to provide safe, sanitary, and decent housing to our residents.

We know of no other currently known facts, decisions, or conditions that are expected to have a significant effect on financial position (net assets) or results of operations (revenues, expenses, and other changes)

CAPITAL ASSETS

During the fiscal year ending December 31, 2007, our Capital Fund Program work projects included:

The Housing Commission purchased ranges and refrigerators in the amount of \$64,371 and made exterior improvements of \$104,711 during this fiscal year.

Capital projects planned for the next fiscal year include the replacement of steel entry doors, security screen doors, and painting.

Romulus Housing Commission
Management's Discussion and Analysis (MD&A)
December 31, 2007
(Continued)

CAPITAL ASSETS (CONTINUED)

The Romulus Housing Commission's investment in capital assets, as of December 31, 2007 amounts to \$1,866,853 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and equipment.

**CAPITAL ASSETS
NET OF ACCUMULATED DEPRECIATION
December 31,**

	<u>2007</u>	<u>2006</u>	<u>Dollar Change</u>
Land	\$ 188,150	\$ 188,150	\$
Buildings	1,512,998	1,512,998	
Furniture, equipment and machinery - dwellings	67,826		67,826
Furniture, equipment and machinery - administration	67,250	64,193	3,057
Building improvements	<u>2,114,231</u>	<u>1,999,394</u>	<u>114,837</u>
	3,950,455	3,764,735	185,720
Accumulated depreciation	(2,083,602)	(1,910,563)	(173,039)
Total	<u>\$ 1,866,853</u>	<u>\$ 1,854,172</u>	<u>\$ 12,681</u>

Capital assets increased by \$12,681, because of capital outlays of \$185,719 and depreciation of \$(173,038).

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Commission's finances for all those with an interest in its finances. Questions or comments concerning any of the information contained in this report or request for additional information should be directed to:

Christine Anderson, Executive Director
34200 Beverly Road
Romulus, MI 48174-4444

FINANCIAL STATEMENTS

ROMULUS HOUSING COMMISSION
STATEMENT OF NET ASSETS
December 31, 2007
=====

ASSETS

Current Assets:

Cash and cash equivalents	\$ 286,774
Receivables, net	70,296
Prepaid expenses	<u>5,382</u>

Total Current Assets	<u>362,452</u>
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Capital Assets:

Land	188,150
Buildings	1,512,998
Equipment	135,076
Building improvements	<u>2,114,231</u>
	3,950,455
Less: accumulated depreciation	<u>(2,083,602)</u>

Net Capital Assets	<u>1,866,853</u>
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Total Assets	<u><u>\$ 2,229,305</u></u>
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See notes to financial statements

ROMULUS HOUSING COMMISSION
STATEMENT OF NET ASSETS (CONTINUED)
December 31, 2007
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LIABILITIES and NET ASSETS

Current Liabilities:

Accounts payable	\$ 13,577
Accrued expenses	8,874
Accounts payable-other government	6,838
Tenant security deposits	18,149
Deferred revenues	11,033
Other current liabilities	<u>16,640</u>

Total Current Liabilities 75,111

Noncurrent Liabilities:

Accrued compensated absences	<u>63,200</u>
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Total Noncurrent Liabilities 138,311

Net Assets:

Invested in capital assets	1,866,853
Unrestricted net assets	<u>224,141</u>

Total Net Assets 2,090,994

Total Liabilities and Net Assets \$ 2,229,305

See notes to financial statements

ROMULUS HOUSING COMMISSION
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS
Year Ended December 31, 2007
=====

OPERATING REVENUES:

Dwelling rent	\$ 129,963
Nondwelling rent	13,362
Operating grants	<u>339,399</u>

Total operating revenues	<u>482,724</u>
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OPERATING EXPENSES:

Administration	179,042
Tenant services	36,930
Utilities	55,650
Ordinary maintenance and operation	187,764
General expenses	33,982
Depreciation	<u>173,038</u>

Total operating expenses	<u>666,406</u>
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Operating income(loss)	(183,682)
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NONOPERATING REVENUES:

Investment interest income	<u>11,792</u>
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Income(loss) before contributions and transfers	(171,890)
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CAPITAL CONTRIBUTIONS

	<u>185,720</u>
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Change in net assets	13,830
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Net assets, beginning	<u>2,077,164</u>
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Net assets, ending	<u><u>\$ 2,090,994</u></u>
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See notes to financial statements

ROMULUS HOUSING COMMISSION
STATEMENT OF CASH FLOWS
Year Ended December 31, 2007
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CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from dwelling and nondwelling rents	\$ 144,084
Cash received from operating grants	286,758
Cash payments to other suppliers of goods and services	(306,512)
Cash payments to employees for services	(161,052)
Cash payments for in lieu of taxes	<u>(7,916)</u>
Net cash (used) by operating activities	<u>(44,638)</u>

**CASH FLOWS FROM NONCAPITAL
FINANCING ACTIVITIES:**

Tenant security deposits	<u>577</u>
Net cash provided by noncapital financing activities	<u>577</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING
ACTIVITIES:**

Capital grants	185,720
Payments for capital acquisitions	<u>(185,720)</u>
Net cash (used) by capital and related financing activities	<u> </u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Receipts of interest and dividends	<u>11,792</u>
Net cash provided by investing activities	<u>11,792</u>

Net increase(decrease) in cash (32,269)

Cash and cash equivalents, beginning 319,043

Cash and cash equivalents, ending \$ 286,774

ROMULUS HOUSING COMMISSION
STATEMENT OF CASH FLOWS (CONTINUED)
Year Ended December 31, 2007
=====

RECONCILIATION OPERATING INCOME(LOSS)
TO NET CASH PROVIDED BY OPERATING
ACTIVITIES:

Operating income(loss)	\$(183,682)
Adjustments to reconcile operating (loss) to net cash provided(used) by operating activities:	
Depreciation	173,038
Bad debt allowance adjustment	1,153
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable-HUD	(52,641)
Accounts receivable-tenants	(995)
Prepaid expenses	449
Increase (decrease) in liabilities:	
Accounts payable	1,000
Accrued wages/payroll taxes payable	(696)
Accrued compensated absences	10,119
Other current liabilities	6,941
Accounts payable-PILOT	(1,078)
Deferred revenues	<u>1,754</u>
Net cash (used) by operating activities	<u><u>\$(44,638)</u></u>

See notes to financial statements

ROMULUS HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2007
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NOTE 1: Summary of Significant Accounting Policies

The Romulus Housing Commission (the Housing Commission) is a component unit of the City of Romulus, a Michigan home rule City. The Housing Commission is a Public Housing Agency created by the City of Romulus on February 11, 1971, consisting of a five member board appointed by the City Mayor and charged with the responsibility to provide low-rent housing, under the low rent program Annual Contributions Contract for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development and other Federal agencies.

The Housing Commission complies with U.S. generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the financial statements for the proprietary fund, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the Housing Commission the option of electing to apply FASB pronouncements issued after November 30, 1989, except for those that conflict with or contradict a GASB pronouncement. The Housing Commission has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

1(a) Financial Reporting Entity

The Housing Commission's financial reporting entity comprises the following:

Primary Government:	Housing Commission
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In determining the financial reporting entity, the Housing Commission complies with the provisions of GASB Statement No. 14 as amended by GASB No. 39, "The Financial Reporting Entity", and includes all component units, if any, of which the Housing Commission appointed a voting majority of the units' board; the Housing Commission is either able to impose its will on the unit or a financial benefit or burden relationship exists. There are no agencies, organizations or activities meeting this criteria.

1(b) Basis of Presentation

Financial statements of the reporting entity's programs are organized and reported as an enterprise fund and are accounted for by providing a set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Enterprise funds are used to account for business-like activities provided to its tenants. These activities are financed primarily by user charges and/or Federal funding and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes all of the Housing Commission's programs as an enterprise fund.

Following is a description of the Housing Commission's programs:

Program	Brief Description
Low Rent Program	Accounts for activities of the Public and Indian Housing program which HUD provides an annual subsidy to help public housing agencies (PHAs) pay some of the cost of operating and maintaining public housing units.
Capital Fund Program	Accounts for activities of the Capital Fund which provides funds to housing authorities to modernize public housing developments.

1(c) Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In the financial statements, the "economic resources" measurement focus is used as follows:

The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

1(c) Measurement Focus and Basis of Accounting (Continued)

Basis of Accounting

In the financial statements, the proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

1(d) Assets, Liabilities, and Equity

Cash and Investments

For the purpose of the Statement of Net Assets, "cash and cash equivalents" includes all demand, savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less. For the purpose of the Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments are carried at fair value except for short-term U.S. Treasury obligations, if any, with a remaining maturity at the time of purchase of one year or less. Those investments, if any, are reported at amortized cost. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Note 2(b) and 3(a).

Interprogram Receivables and Payables

During the course of operations, numerous transactions occur within individual programs that may result in amounts owed between these programs. Offsetting interprograms are eliminated for financial statement presentation.

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Tenant accounts receivable, accrued interest receivable and accounts receivable from U.S. Department of Housing and Urban Development compose the majority of receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Inventories

Inventories are valued at average cost, and consist of expendable supplies held for consumption. The cost of inventories are recorded as expenditures when consumed, rather than when purchased.

1(d) Assets, Liabilities, and Equity (Continued)

Insurance

The premiums on all major insurance policies are charged to prepaid insurance and amortized over the life of the policy.

Budgets and Budgetary Accounting

The Housing Commission adopts a formal operating budget each year for its operating programs and on a project length basis for its capital expenditures which are approved by the Board of Commissioners and submitted to the Department of Housing and Urban Development for their approval, if required.

Estimates and Assumptions

The Housing Commission uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses.

Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) is as follows:

In the financial statements, capital assets purchased or acquired with an original cost of \$100 or more are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets are recorded as an allocated expense depending on the program where the asset is shown, in the Statement of Revenues, Expenses, and Changes in Net Assets, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	40 years
Building improvements	15 years
Furniture, equipment and machinery	3 - 7 years

Compensated Absences

The Housing Commission's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as short-term and long-term liabilities based on historical trends. In

1(d) Assets, Liabilities, and Equity (Continued)

Compensated Absences (Continued)

accordance with the provisions of GASB Statement No. 16, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

Equity Classifications

Equity is classified as net assets and displayed in two components:

- a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets. The Housing Commission had no related debt.
- b. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

1(e) Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

Operating revenues and expenses are those that result from providing services and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Non-operating revenues and expenses are those that are not operating in nature.

Interfund Transfers

For the purposes of the Statement of Revenues, Expenses, and Changes in Net Assets, all interfund transfers between individual programs, if any, have been eliminated.

Post Employment Benefits

The provision for pension cost is recorded on an accrual basis, and the Commission's policy is to fund pension costs as they accrue.

1(e) Revenues, Expenditures, and Expenses

Income Taxes

As a component unit of a Michigan City, the Housing Commission is exempt from federal and state income taxes. The Housing Commission has no unrelated business income.

NOTE 2: Stewardship, Compliance, and Accountability

The Housing Commission and its component units, if any, are subject to various federal, state, and local laws and contractual regulations. An analysis of the Housing Commission's compliance with significant laws and regulations and demonstration of its stewardship over Housing Commission resources follows.

2(a) Program Accounting Requirements

The Housing Commission complies with all state and local laws and regulations requiring the use of separate programs. The programs used by the Housing Commission are as follows:

Program	Required By
Public and Indian Housing	U.S. Department of HUD
Capital Fund Program	U.S. Department of HUD

2(b) Deposits and Investments Laws and Regulations

In accordance with state law, all uninsured deposits of the Housing Commission in financial institutions must be secured with acceptable collateral valued at the lower of market or par. All financial institutions pledging collateral to the Housing Commission must have a written Depository Agreement. As reflected in Note 3(a), all deposits were fully insured or collateralized.

Investments of the Housing Commission are limited by state law to the following:

- a. Direct obligations of the U.S. Government or its agencies or instrumentalities to which acceptable collateral is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral.

2(c) Revenue Restrictions

The Housing Commission has various restrictions placed over certain revenue sources. The primary restricted revenue sources include:

Revenue Source	Legal Restrictions of Use
Capital Fund Program	Modernization

2(c) Revenue Restrictions (Continued)

For the year ended December 31, 2007, the Housing Commission complied, in all material respects, with these revenue restrictions.

NOTE 3: Detail Notes on Transactions Classes/Accounts

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

3(a) Cash and Investments

Deposits

The Housing Commission's policies regarding deposits of cash are discussed in Note 1(d). The table presented below is designed to disclose the level of custody credit risk assumed by the Housing Commission based upon how its deposits were insured or secured with collateral at December 31, 2007. The categories of credit risk are defined as follows:

Category 1 - Insured by FDIC or collateralized with securities held by the Housing Commission (or public trust) or by its agent in its name.

Category 2 - Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Housing Commission's name.

Category 3 - Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Housing Commission's name; or collateralized with no written or approved collateral agreement.

	Total Bank Balance	Custody Credit Risk			Total Carrying Value
		Category 1	Category 2	Category 3	
Demand deposits (sweep account)	<u>\$305,547</u>	<u>\$305,547</u>	<u>\$</u>	<u>\$</u>	<u>\$ 286,774</u>

Investments

The Housing Commission does not have any investments.

3(a) Cash and Investments (Continued)

A reconciliation of cash as shown on the combined statement of net assets is as follows:

Carrying amount of deposits	\$ 286,774
Total	<u>\$ 286,774</u>
Cash and investments:	
Enterprise activities	\$ 286,774
Enterprise activities - deposits in transit	-
Enterprise activities - checks written in excess of deposits	-
Total	<u>\$ 286,774</u>

3(b) Receivables

Receivables detail at December 31, 2007, is as follows:

HUD	\$ 69,654
Tenant accounts receivable	6,761
Allowance for doubtful accounts	<u>(6,119)</u>
	<u>\$ 70,296</u>

3(c) Capital Assets

Capital asset activity for the year ended December 31, 2007, was as follows:

	<u>Balance</u> <u>12/31/06</u>	<u>Additions/</u> <u>Transfers</u>	<u>Retirements/</u> <u>Transfers</u>	<u>Balance</u> <u>12/31/07</u>
Low Rent Program				
Land	\$ 188,150	\$	\$	\$ 188,150
Buildings	1,512,998			1,512,998
Furniture, equip. & machinery - administration	64,193			64,193
Building improvements	<u>1,883,736</u>	<u></u>	<u></u>	<u>1,883,736</u>
	3,649,077	<u>\$</u>	<u>\$</u>	3,649,077
Less accumulated depreciation	<u>(1,904,467)</u>	<u>\$ (160,728)</u>	<u>\$</u>	<u>(2,065,195)</u>
Total	<u>\$1,744,610</u>			<u>\$1,583,882</u>

3(c) Capital Assets (Continued)

	<u>Balance 12/31/06</u>	<u>Additions/ Transfers</u>	<u>Retirements/ Transfers</u>	<u>Balance 12/31/07</u>
Capital Fund Program				
Furniture, equip. & machinery - Dwellings	\$	\$ 67,826	\$	\$ 67,826
Furniture, equip. & machinery - administration		3,057		3,057
Building improvements	<u>115,658</u>	<u>114,837</u>		<u>230,495</u>
	115,658	<u>\$ 185,720</u>	<u>\$</u>	301,378
Less accumulated depreciation	<u>(6,096)</u>	<u>\$ (12,311)</u>	<u>\$</u>	<u>(18,407)</u>
Total	<u>\$ 109,562</u>			<u>\$ 282,971</u>
Combined Totals				<u>\$1,866,853</u>

3(d) Accrued Expenses

Accrued expense detail at December 31, 2007, is as follows:

Accrued wage/payroll taxes payable	\$ 1,853
Accrued compensated absences- current portion	<u>7,021</u>
	<u>\$ 8,874</u>

3(e) Other Current Liabilities

Other current liabilities at December 31, 2007,
is as follows:

Utilities payable	\$ 11,720
Contract retentions	<u>4,920</u>
	<u>\$ 16,640</u>

3(f) Interprogram Transactions and Balances

Operating Transfers

The capital fund program transferred \$50,447 to the low rent program during the fiscal year ended December 31, 2007.

Interprogram Receivable/Payable

The Capital Fund Program owed the Low Rent Program \$69,654 as of December 31, 2007.

NOTE 4: Other Information

4(a) Employee Retirement Plan

The Housing Commission participates in the City of Romulus retirement plan. The pension plan is a pre 1986 401k plan for municipalities. The plan has standard eligibility and vesting provisions. All contributions have been paid to the plan administer in a timely manner. Further details and plan assets are reported under a separate audit report maintained by the City of Romulus. The amount contributed by the Housing Commission was \$14,052 during the calendar year.

4(b) Risk Management

The Housing Commission is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees health and life; and natural disasters. The Housing Commission manages these various risks of loss as follows:

Type of Loss	Method Managed
a. Injuries to employees (workers' compensation)	Insured with the Detlor Insurance Agency.
b. Physical property loss and natural disasters	Insurance coverage Producer is Housing Insurance Services Inc. and the Company is Travelers Property Casualty Company of America.
c. Liability	Insurance coverage with the Housing Authority Risk Retention Group.
d. Health	Included in the City of Romulus's health insurance plan.
e. Dental	Insurance with the Delta Dental Plan.
f. Life	Insurance with the Life Insurance Company of North America.
g. Boiler & machinery	Insurance coverage with Travelers Property Casualty Company of America.

4(b) Risk Management (Continued)

Management believes such coverage is sufficient to preclude any significant uninsured losses to the Housing Commission. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

4(c) Current Vulnerability Due to Certain Concentrations

The Housing Commission operates in a heavily regulated environment. The operations of the Housing Commission are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice to inadequate funding to pay for the related cost, including the additional administrative burden to comply with a change.

4(d) Commitments and Contingencies

Commitments - Construction

At December 31, 2007, the Housing Commission had the following pending construction projects in progress:

	<u>Funds Authorized</u>	<u>Funds Expended - Project to Date</u>
2005 CFP	\$ 163,009	\$ 163,009
2006 CFP	157,361	
2007 CFP	161,075	

Contingencies

The Housing Commission is subject to possible examination by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to the Housing Commission in the current and prior years. No significant violations of finance-related legal or contractual provisions occurred.

SUPPLEMENTARY INFORMATION

ROMULUS HOUSING COMMISSION
COMBINING STATEMENT OF NET ASSETS
BY PROGRAM

December 31, 2007

=====

	Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 286,774	\$
Receivables:		
HUD		69,654
Tenants-dwelling rents	6,761	
Allowance for doubtful accounts	(6,119)	
Prepaid expenses	5,382	
Due from other programs	<u>69,654</u>	<u> </u>
Total current assets	<u>362,452</u>	<u>69,654</u>
Capital assets:		
Land	188,150	
Buildings	1,512,998	
Equipment	64,193	70,883
Building improvements	<u>1,883,736</u>	<u>230,495</u>
	3,649,077	301,378
Less accumulated depreciation	<u>(2,065,195)</u>	<u>(18,407)</u>
Net capital assets	<u>1,583,882</u>	<u>282,971</u>
Total Assets	<u>\$ 1,946,334</u>	<u>\$ 352,625</u>

Totals

\$ 286,774

69,654

6,761

(6,119)

5,382

69,654

432,106

188,150

1,512,998

135,076

2,114,231

3,950,455

(2,083,602)

1,866,853

\$ 2,298,959

ROMULUS HOUSING COMMISSION
COMBINING STATEMENT OF NET ASSETS
BY PROGRAM (CONTINUED)
December 31, 2007
=====

	Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
LIABILITIES and NET ASSETS		
Current liabilities:		
Accounts payable	\$ 13,577	
Accrued expenses	8,874	
Accounts payable-other government	6,838	
Tenant security deposits	18,149	
Deferred revenues	11,033	
Other current liabilities	16,640	
Due to other funds		<u>69,654</u>
Total current liabilities	75,111	69,654
Noncurrent liabilities:		
Accrued compensated absences	<u>63,200</u>	
Total liabilities	<u>138,311</u>	<u>69,654</u>
Net Assets:		
Invested in capital assets	1,583,882	282,971
Unrestricted net assets	<u>224,141</u>	
Total net assets	<u>1,808,023</u>	<u>282,971</u>
Total Liabilities and Net Assets	<u>\$1,946,334</u>	<u>\$ 352,625</u>

Totals

\$ 13,577
8,874
6,838
18,149
11,033
16,640
69,654

144,765

63,200

207,965

1,866,853
224,141

2,090,994

\$2,298,959

ROMULUS HOUSING COMMISSION
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND
 CHANGES IN NET ASSETS BY PROGRAM
 Year Ended December 31, 2007
 =====

	Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
OPERATING REVENUES:		
Dwelling rent	\$ 129,963	\$
Nondwelling rent	13,362	
Operating grants	<u>288,952</u>	<u>50,447</u>
Total operating revenues	<u>432,277</u>	<u>50,447</u>
OPERATING EXPENSES:		
Administration	179,042	
Tenant services	36,930	
Utilities	55,650	
Ordinary maintenance and operation	187,764	
General expenses	33,982	
Depreciation	<u>160,727</u>	<u>12,311</u>
Total operating expenses	<u>654,095</u>	<u>12,311</u>
Operating income(loss)	<u>(221,818)</u>	<u>38,136</u>
NONOPERATING REVENUES:		
Operating transfers in(out)	50,447	(50,447)
Investment interest income	<u>11,792</u>	<u></u>
Total nonoperating revenues	<u>62,239</u>	<u>(50,447)</u>
Income(loss) before contributions and transfers	(159,579)	(12,311)
CAPITAL CONTRIBUTIONS	<u></u>	<u>185,720</u>
Change in net assets	(159,579)	173,409
Net assets, beginning	<u>1,967,602</u>	<u>109,562</u>
Net assets, ending	<u>\$1,808,023</u>	<u>\$282,971</u>

	<u>Totals</u>
\$	129,963
	13,362
	<u>339,399</u>
	<u>482,724</u>
	179,042
	36,930
	55,650
	187,764
	33,982
	<u>173,038</u>
	<u>666,406</u>
(<u>183,682)</u>
	<u>11,792</u>
	<u>11,792</u>
(171,890)
	<u>185,720</u>
	13,830
	<u>2,077,164</u>
	<u>\$2,090,994</u>

ROMULUS HOUSING COMMISSION
COMBINING STATEMENT OF CASH FLOWS
BY PROGRAM

Year Ended December 31, 2007

=====

	Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from dwelling and nondwelling rents	\$ 144,084	\$
Cash received from operating grants	288,952	(2,194)
Cash payments to other suppliers of goods and services	(306,512)	
Cash payments to employees for services	(161,052)	
Cash payments for in lieu of taxes	<u>(7,916)</u>	
Net cash (used) by operating activities	<u>(42,444)</u>	<u>(2,194)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Operating transfers in(out)	50,447	(50,447)
Tenant security deposits	577	
Interprogram receivables/payables	<u>(52,641)</u>	<u>52,641</u>
Net cash provided (used) by noncapital financing activities	<u>(1,617)</u>	<u>2,194</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants		185,720
Payments for capital acquisitions		<u>(185,720)</u>
Net cash (used) by capital and related financing activities		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Receipts of interest and dividends	<u>11,792</u>	
Net cash provided by investing activities	<u>11,792</u>	
Net increase(decrease) in cash	(32,269)	
Cash and cash equivalents, beginning	<u>319,043</u>	
Cash and cash equivalents, ending	<u>\$ 286,774</u>	<u>\$</u>

<u>Totals</u>	
\$	144,084
	286,758
(306,512)
(161,052)
(<u>7,916)</u>
(<u>44,638)</u>
	577
	<u>577</u>
	185,720
(<u>185,720)</u>
	11,792
	<u>11,792</u>
(32,269)
	<u>319,043</u>
\$	<u><u>286,774</u></u>

ROMULUS HOUSING COMMISSION
COMBINING STATEMENT OF CASH FLOWS
BY PROGRAM (CONTINUED)

Year Ended December 31, 2007

=====

	Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
RECONCILIATION OF OPERATING INCOME		
(LOSS) TO NET CASH PROVIDED BY		
OPERATING ACTIVITIES:		
Operating income(loss)	\$(221,818)	\$ 38,136
Adjustments to reconcile operating (loss) to net cash provided(used) by operating activities:		
Depreciation	160,727	12,311
Bad debt allowance adjustment	1,153	
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable-HUD		(52,641)
Accounts receivable-tenants	(995)	
Prepaid expenses	449	
Increase (decrease) in liabilities:		
Accounts payable	1,000	
Accrued wages/payroll taxes payable	(696)	
Accrued compensated absences	10,119	
Other current liabilities	6,941	
Accounts payable-PILOT	(1,078)	
Deferred revenues	<u>1,754</u>	
Net cash provided by operating activities	<u>\$(42,444)</u>	<u>\$ (2,194)</u>

Totals

\$ (183,682)

173,038
1,153

(52,641)
(995)
449

1,000

(696)
10,119
6,941
(1,078)
1,754

\$ (44,638)

ROMULUS HOUSING COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND NOTES TO THE SCHEDULE OF FEDERAL AWARDS
Year Ended December 31, 2007
=====

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year	Federal Grantor	CFDA No.	Expenditures
	<u>U.S. Department of HUD</u>		
	<u>Public and Indian Housing</u> <u>Major - Direct Program</u>		
2007	Low Rent Public Housing	14.850a	\$ 288,952
	<u>Public and Indian Housing</u> <u>Major - Direct Program</u>		
2007	Capital Fund Program	14.872	<u>236,167</u>
	Total		<u>\$ 525,119</u>

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

NOTE 1: Significant Accounting Policies

The schedule of federal awards has been prepared on the accrual basis of accounting.

CFDA = Catalog of Federal Domestic Assistance

ROMULUS HOUSING COMMISSION
FINANCIAL DATA SCHEDULE
Year Ended December 31, 2007

=====

FDS Line Item No.		Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
	ASSETS		
	Current Assets:		
	Cash:		
111	Cash-unrestricted	\$ 268,625	\$
114	Cash-tenant security deposits	<u>18,149</u>	<u></u>
100	Total cash	<u>286,774</u>	<u></u>
	Receivables:		
122	A/R-HUD other projects		69,654
126	A/R-tenants-dwelling rents	6,761	
126.1	Allowance for doubtful accounts	<u>(6,119)</u>	<u></u>
120	Total receivables, net of allowance for doubtful accounts	<u>642</u>	<u>69,654</u>
	Other Current Assets:		
142	Prepaid expenses and other assets	5,382	
144	Interprogram due from	<u>69,654</u>	<u></u>
	Total other current assets	<u>75,036</u>	<u></u>
150	Total current assets	<u>362,452</u>	<u>69,654</u>
	Noncurrent Assets:		
	Fixed Assets:		
161	Land	188,150	
162	Buildings	1,512,998	
163	Furn, equip & mach-dwellings		67,826
164	Furn, equip & mach-admin.	64,193	3,057
165	Building improvements	1,883,736	230,495
166	Accumulated depreciation	<u>(2,065,195)</u>	<u>(18,407)</u>
160	Total fixed assets, net of accumulated depreciation	<u>1,583,882</u>	<u>282,971</u>
180	Total noncurrent assets	<u>1,583,882</u>	<u>282,971</u>
190	Total Assets	<u>\$ 1,946,334</u>	<u>\$352,625</u>

Totals

\$ 268,625
18,149

286,774

69,654
6,761
(6,119)

70,296

5,382
69,654

75,036

432,106

188,150
1,512,998
67,826
67,250
2,114,231
(2,083,602)

1,866,853

1,866,853

\$2,298,959

ROMULUS HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
Year Ended December 31, 2007
=====

FDS Line Item No.		Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
LIABILITIES and NET ASSETS			
	Liabilities:		
	Current Liabilities:		
312	Accounts payable	\$ 13,577	\$
321	Accrued wage/payroll taxes payable	1,853	
322	Accrued compensated absences-current portion	7,021	
333	Accounts payable-other government	6,838	
341	Tenant security deposits	18,149	
342	Deferred revenues	11,033	
345	Other current liabilities	16,640	
347	Interprogram due to		<u>69,654</u>
310	Total current liabilities	75,111	69,654
	Noncurrent Liabilities:		
345	Accrued compensated absences	<u>63,200</u>	
300	Total liabilities	<u>138,311</u>	<u>69,654</u>
	Net Assets:		
508.1	Invested in capital assets	<u>1,583,882</u>	<u>282,971</u>
508	Total invested in capital assets	1,583,882	282,971
512.1	Unrestricted net assets	<u>224,141</u>	
513	Total Net Assets	<u>1,808,023</u>	<u>282,971</u>
600	Total Liabilities and Net Assets	<u>\$ 1,946,334</u>	<u>\$352,625</u>

Totals

\$ 13,577

1,853

7,021

6,838

18,149

11,033

16,640

69,654

144,765

63,200

207,965

1,866,853

1,866,853

224,141

2,090,994

\$2,298,959

ROMULUS HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended December 31, 2007

=====

FDS Line Item No.		Low Rent Program 14.850a	Capital Fund Program 14.872
	Revenue:		
703	Net tenant rental revenue	\$ 129,963	\$
704	Tenant revenue-other	13,362	
705	Total tenant revenue	143,325	
706	HUD PHA grants	288,952	50,447
706.1	Capital grants		185,720
711	Investment income-unrestricted	11,792	
700	Total revenue	444,069	236,167
	Expenses:		
	Administrative:		
911	Administrative salaries	99,477	
912	Auditing fees	4,400	
914	Compensated absences	10,119	
915	Employee benefit contributions-adm.	34,568	
916	Other operating-administrative	30,478	
	Tenant services:		
921	Salaries	27,241	
923	Employee benefit contributions	9,189	
924	Tenant services-other	500	
	Utilities:		
931	Water	36,929	
932	Electricity	11,351	
933	Gas	7,370	
	Ordinary maintenance and operation:		
942	Ordinary maint & oper-mat'ls & other	14,196	
943	Ordinary maint & oper-contract costs	173,568	
	General expenses:		
961	Insurance premiums	22,736	
963	Payments in lieu of taxes	6,838	
964	Bad debt-tenant rents	4,408	
969	Total operating expenses	493,368	
970	Excess operating revenue over operating expenses	(49,299)	236,167

<u>Totals</u>	
\$	129,963
	<u>13,362</u>
	143,325
	339,399
	185,720
	<u>11,792</u>
	<u>680,236</u>

99,477
4,400
10,119
34,568
30,478

27,241
9,189
500

36,929
11,351
7,370

14,196
173,568

22,736
6,838
<u>4,408</u>
<u>493,368</u>

<u>186,868</u>

ROMULUS HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
 Year Ended December 31, 2007
 =====

FDS Line Item No.		Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
	Expenses continued:		
	Other expenses:		
974	Depreciation expense	<u>160,727</u>	<u>12,311</u>
900	Total expenses	<u>654,095</u>	<u>12,311</u>
	Other Financing Sources(Uses):		
1001	Operating transfers in	50,447	
1002	Operating transfers (out)	<u> </u>	<u>(50,447)</u>
1010	Total other financing sources(uses)	<u>50,447</u>	<u>(50,447)</u>
1000	Excess(deficiency) of total revenue over(under) total expenses	(159,579)	173,409
1103	Beginning Net Assets	<u>1,967,602</u>	<u>109,562</u>
	Ending Net Assets	<u>\$ 1,808,023</u>	<u>\$282,971</u>

<u>Totals</u>
<u>173,038</u>
<u>666,406</u>
50,447
(<u>50,447</u>)
<u> </u>
13,830
<u>2,077,164</u>
<u>\$ 2,090,994</u>

**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements performed in Accordance
with Government Auditing Standards**

Board of Housing Commissioners
Romulus Housing Commission
Romulus, Michigan

I have audited the financial statements of the business-type activities of Romulus Housing Commission, Michigan (Housing Commission), as of and for the year ended December 31, 2007, which comprise the Housing Commission's basic financial statements and have issued my report thereon dated September 6, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Housing Commission's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Commission's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Housing Commission's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Housing Commission's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted principles such that there is more than a remote likelihood that a misstatement of the Housing Commission's financial statements that is more than inconsequential will not be prevented or detected by the Housing Commission's internal control.

Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements performed in Accordance
with *Government Auditing Standards*
Romulus Housing Commission
Page Two

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Housing Commission's internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, Board of Housing Commissioners, the City, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Bany E. Landolt, CPA, PC

September 6, 2008

**Report on Compliance with Requirements Applicable
to Each Major Program and on Internal Control
over Compliance in Accordance with OMB Circular A-133**

Board of Housing Commissioners
Romulus Housing Commission
Romulus, Michigan

Compliance

I have audited the compliance of the Romulus Housing Commission, Michigan (Housing Commission), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2007. The Housing Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Housing Commission's management. My responsibility is to express an opinion on the Housing Commission's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Commission's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of the Housing Commission's compliance with those requirements.

Report on Compliance with Requirements
Applicable to Each Major Program and
on Internal Control Over Compliance in
Accordance with OMB Circular A-133
Romulus Housing Commission
Page Two

Compliance (continued)

In my opinion, the Housing Commission, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007.

Internal Control Over Compliance

The management of the Housing Commission, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered the Housing Commission's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Housing Commission's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

Report on Compliance with Requirements
Applicable to Each Major Program and
on Internal Control Over Compliance in
Accordance with OMB Circular A-133
Romulus Housing Commission
Page Three

This report is intended solely for the information and use of management, Board of Housing Commissioners, the City, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Bary Landette, CPA

September 6, 2008

ROMULUS HOUSING COMMISSION
STATUS OF PRIOR AUDIT FINDINGS
December 31, 2007
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There were no findings in the prior year.

ROMULUS HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2007
=====

SECTION I - SUMMARY OF AUDITOR RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Romulus Housing Commission.
2. There were no control deficiencies disclosed during the audit of the financial statements.
3. There were no instances of noncompliance material to the financial statements of Romulus Housing Commission that were disclosed during the audit.
4. There were no significant deficiencies in internal control over major federal award programs disclosed during the audit that were reported as material weaknesses.
5. The auditor's report on compliance for the major federal award programs for Romulus Housing Commission expresses an unqualified opinion on the Low Rent Public Housing and Capital Fund Programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as major programs included:

Low Rent Public Housing Program	CFDA No. 14.850a
Public Housing Capital Fund Program	CFDA No. 14.872
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The Romulus Housing Commission was determined to be a low-risk auditee.

ROMULUS HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
December 31, 2007

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SECTION II - FINANCIAL STATEMENT FINDINGS

There were no financial statement findings.

SECTION III - FEDERAL AWARDS FINDINGS

There were no federal awards findings.